

Message Text

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ACTION EB-07

INFO OCT-01 AF-04 ARA-06 EA-06 ISO-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-01 INR-05

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 INT-05 (ISO) W

----- 075830

R 160904Z DEC 74

FM AMCONSUL LUBUMBASHI

TO SECSTATE WASHDC 1642

INFO AMEMBASSY KINSHASA

AMEMBASSY LIMA

AMEMBASSY LUSAKA

AMEMBASSY SANTIAGO

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN CG

SUBJECT: COPPER EXPORT CUTBACK

1. ZAIRIAN COMMISSIONER OF MINES LAST WEEK ISSUED
DECREE CALLING FOR 10 PERCENT REDUCTION OF ZAIRIAN COPPER
EXPORTS BEGINNING ONE DECEMBER 74. DECREE, ISSUED
IN ACCORDANCE WITH RECENT CIPEC AGREEMENT, CALLS
FOR REDUCTION OF ZAIRIAN EXPORTS BY 22 THOUSAND
TONS (COPPER CONTENT) FOR SIX MONTH PERIOD.

2. I DISCUSSED CUTBACK ORDER DECEMBER 6 WITH
GECAMINES' SECRETARY GENERAL KORT AND DIRECTOR OF
MINES KVAPIL. IMPORT OF THEIR REACTION WAS CLEAR.
PROJECTED CUTBACK WILL NOT, RPT NOT, ACTUALLY AFFECT
GECAMINES' PRODUCTION OR EXPORTS. REASONS:

(1) LATE NOVEMBER ACCIDENT AT GECAMINES' LUBUMBASHI
REFINERY (ROOF FELL IN IN MAIN BUILDING CAUSING

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DEATH OF ONE EMPLOYEE AND SERIOUS DAMAGE TO EQUIPMENT),

WILL CAUSE PRODUCTION LOSS OF APPROXIMATELY SIX THOUSAND TONS OF FINISHED COPPER. ALTHOUGH GECAMINES COULD MAKEUP THIS PRODUCTION LOSS THEY WILL FOREGO DOING SO IN LIGHT OF EXPORT CUTBACK. (2) SINCE APPROXIMATELY JULY GECAMINES SHIPMENTS OF FINISHED COPPER FROM ITS PRODUCTION CENTERS TO PORTS OF EMBARKATION HAVE BEEN RUNNING IN EXCESS OF THEIR COMMERCIALIZATION PROGRAM. AS OF ONE DECEMBER AMOUNT OF EXCESS COPPER IN PIPELINE BETWEEN SHABA AND PORTS WAS OVER 10 THOUSAND TONS. (APPROXIMATELY 65 THOUSAND TONS IN PIPELINE COMPARED TO CONTRACTUAL NEEDS OF UNDER 55 THOUSAND TONS.) EXCESS PILING UP AT MATADI AND LOBITO.

3. OF 22 THOUSAND TONS EXPORT CUTBACK, 12 THOUSAND TONS WILL BE RESPONSIBILITY OF GECAMINES AND TEN THOUSAND TONS THAT OF SODIMIZA. KORT MADE IT VERY CLEAR THAT BETWEEN COPPER PRODUCTION LOSS STEMMING FROM ACCIDENT AND BOOKKEEPING ARRANGEMENTS FOR PIPELINE OVER SUPPLY GECAMINES WOULD BE ABLE TO MEET 10 PERCENT CUTBACK WITHOUT IN ANY WAY AFFECTING OPERATIONS.

4. REFERRING TO 10 THOUSAND TON (COPPER CONTENT) QUOTA FOR SODIMIZA, KORT STATED WITH LARGE SMILE THAT IMPLICATIONS FOR SODIMIZA PRODUCTION WERE VERY SERIOUS.

5. DURING VISIT TO SODIMIZA PLANT ON DECEMBER 9 EMBASSY ECON/COMMERCIAL COUNSELOR WALKER, ZAIRE DESK OFFICER STRAND, AND CONSULATE OFFICERS WERE ABLE TO QUERY SODIMIZA OFFICIALS ON THIS SUBJECT. I ALSO DISCUSSED SUBJECT WITH SODIMIZA CHIEF PRO INOUE ON DECEMBER 11. ACCORDING TO THESE SOURCES, SODIMIZA WILL FOR THE MOMENT CUT EXPORTS RATHER THAN PRODUCTION; FIRST, BECAUSE ZAIRIAN GOVERNMENT ORDER ACTUALLY REFERS TO EXPORTS AND, SECOND, BECAUSE OF PROBLEMS INVOLVED IN LAYING OFF ZAIRIAN WORKERS. GOVERNMENT ORDER TO CUT EXPORTS BY TEN THOUSAND TONS (COPPER CONTENT) WILL CONSTITUTE 52 PERCENT OF PROJECTED PRODUCTION FOR 12 MONTH PERIOD. SODIMIZA HAS NOT, RPT NOT, LIMITED OFFICIAL USE

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BEEN INFORMED AS TO HOW LONG EXPORT REDUCTION WILL BE ENFORCED.

6. EXPORT CUTBACK WILL POSE FINANCIAL PROBLEMS FOR SODIMIZA. JAPANESE DELEGATION (REPRESENTING SIX JAPANESE PARTNERS) WILL ARRIVE KINSHASA MID-DECEMBER TO DISCUSS FINANCIAL PROBLEMS WITH GOVERNMENT OF ZAIRE.

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